

WASHINGTON STATE FERRIES RIDERSHIP AND REVENUE

BRIEFING PAPER

Prepared for the
June 2002 TRANSPORTATION COMMISSION MEETING

Prepared by
Ray Deardorf, Planning Director, Washington State Ferries

PURPOSE:

To update the Commission on ridership and revenue trends subsequent to the fare increase in June 2001.

ACTION/OUTCOME:

The Commission will not be required to take any action. The expected outcome is an understanding on how traffic and revenue have changed since the June 3, 2001 fare increase.

BACKGROUND:

On June 3, 2001, Washington State Ferries implemented the largest fare increase in two decades as a first step towards backfilling the revenue lost from the removal of the Motor Vehicle Excise Tax. The ridership loss from such a large fare increase was and still is a subject of great concern. Econometric forecasting models developed and refined over the past decade had not been tested with such large percentage increases. Forecasts in June of 2001 indicated a likely 6 to 7 percent drop in ridership from the 20 percent increase in fares.

DISCUSSION:

A comparison of the first 10 months of Fiscal Year 2002 (July 2001 through April 2002) with the comparable period in FY 2001 reveals the following. Ridership actually dropped 3.5 percent, approximately half the rate of loss that had been forecast. At first glance this appears to be good news, especially considering that time period included September 2001 and the drop of 7.4% in ridership that month related to 9/11. A closer examination of the traffic statistics does raise warning flags, though – the percentage drop in traffic over the last two months (March and April) is higher than the average for the 10-month comparison period (minus 4.4% for both months). The progressively softening regional economy may be a contributor to that.

In terms of revenue, however, revenues from the farebox are up \$11.4 million for the first ten months of FY 2002 compared to FY 2001. This is higher than the \$4.9 million in new revenue that was forecast back in June 2001. So far, it's good news – but the traffic and revenue numbers will bear continued close scrutiny over the next few months to see if this most recent deepening downward trend continues, and to assess the impact of the 12.5% fare increase that went into effect on May 12.

RECOMMENDATION:

Not applicable.

KEYSTONE TERMINAL FEASIBILITY STUDY

BRIEFING PAPER

Prepared for the
June 2002 TRANSPORTATION COMMISSION MEETING
Prepared by
Ray Deardorf, Planning Director, Washington State Ferries

PURPOSE:

To update the Commission on a feasibility analysis for relocating the Keystone terminal on Whidbey Island.

ACTION/OUTCOME:

The Commission will not be required to take any action. The expected outcome is an understanding on how this feasibility study will shape the outcome of the Steel Electric class replacement vessels.

BACKGROUND:

Washington State Ferries is embarking on an effort to evaluate the feasibility of relocating the Keystone ferry terminal, the eastern terminus of the four-mile ferry route from Port Townsend on the Olympic Peninsula. The current terminal is located in a small, shallow harbor. Service is subject to interruption during certain tidal and current conditions. Only one class of vessel, the 75-car Steel Electric class, has a draft shallow enough to operate in and out of the harbor. Two of these vessels are assigned to the route in the May through October peak season, one vessel the balance of the year.

DISCUSSION:

In consideration for the design of replacements for the four Steel Electric class vessels, however, the constraints of the Keystone harbor come into the analysis. One key question that needs to be answered is what size of vessel is the most appropriate for a Steel Electric class replacement. From an efficiency and fleet interchangeability standpoint, something along the lines of a 130-car Issaquah class is most desirable. It is more than likely, however, a vessel of that size could not be designed for the confines of Keystone harbor. If the replacement class is constrained by Keystone's navigational issues, the end result could be a vessel that has less than optimal utility in the rest of the system.

WSF is embarking on an effort to determine whether or not there is a feasible location outside the confines of Keystone harbor to relocate the terminal. This effort will get underway shortly and should be concluded this fall. The outcome of the analysis will shape the design criteria for the new vessel class.

RECOMMENDATION:

Not applicable.

REVENUE COLLECTION SYSTEM PROJECT

BRIEFING PAPER

Prepared for the
June 2002 TRANSPORTATION COMMISSION MEETING

Prepared by
Jim Long, WSF IT Director, WSDOT

PURPOSE:

To replace the current Point-of-Sale system at WSF, integrating attendant systems and services, and consolidating all revenue streams into a single system that meets current and future needs of WSF. The system will be designed to be extensible to electronic methods of payment such as: PIN based Debit, Smart Card, automated toll collection and will support offsite sales at merchants and kiosks.

Additionally, the system will add the San Juan Islands, Sidney and integrate with the Regional Fare Coordination System for Puget Sound. The current system is aged and highly proprietary, parts are becoming increasingly scarce, support costs are high, and changes/enhancements a very costly or impossible to make. An example of such a change is acceptance of PIN based Debit at the sales booth.

ACTION/OUTCOME:

WSF has taken a two-phased approach. Phase I – Systems business process analysis, requirements gathering, systems design and architecture. The outcome of this phase will be an RFP for a turnkey system. Development, testing, and implementation of this system are Phase II.

Phase I was kicked off June 4, 2002. Sierra Systems, Bellevue in partnership with Price, Waterhouse, Coopers was the successful bidder. This phase involves intensive information gathering, interviews, analysis and proposed solutions. Phase I is scheduled to complete in September of 2002.

Prior to the award of the Phase I RFP, WSF successfully completed system wide acceptance credit cards (American Express, Discover, MasterCard, and Visa), launched enhanced Web based sales of monthly passes, added online sales for HOV, Carpool, and Bicycle permit registrations and renewal, implemented day-of-week pricing for the San Juan Islands, contracted with local merchants to sell monthly passes, and upgraded local communications segments between WSF Seattle offices and Olympia.

BACKGROUND:

The current Point-of-Sale system at WSF is near the end of its useful life. It also does not extend to contracted agents in the San Juan Islands or Sidney, Canada. The hardware, software, and network protocols are proprietary and do not meld well within the WSDOT framework. Device and network failures are becoming more common.

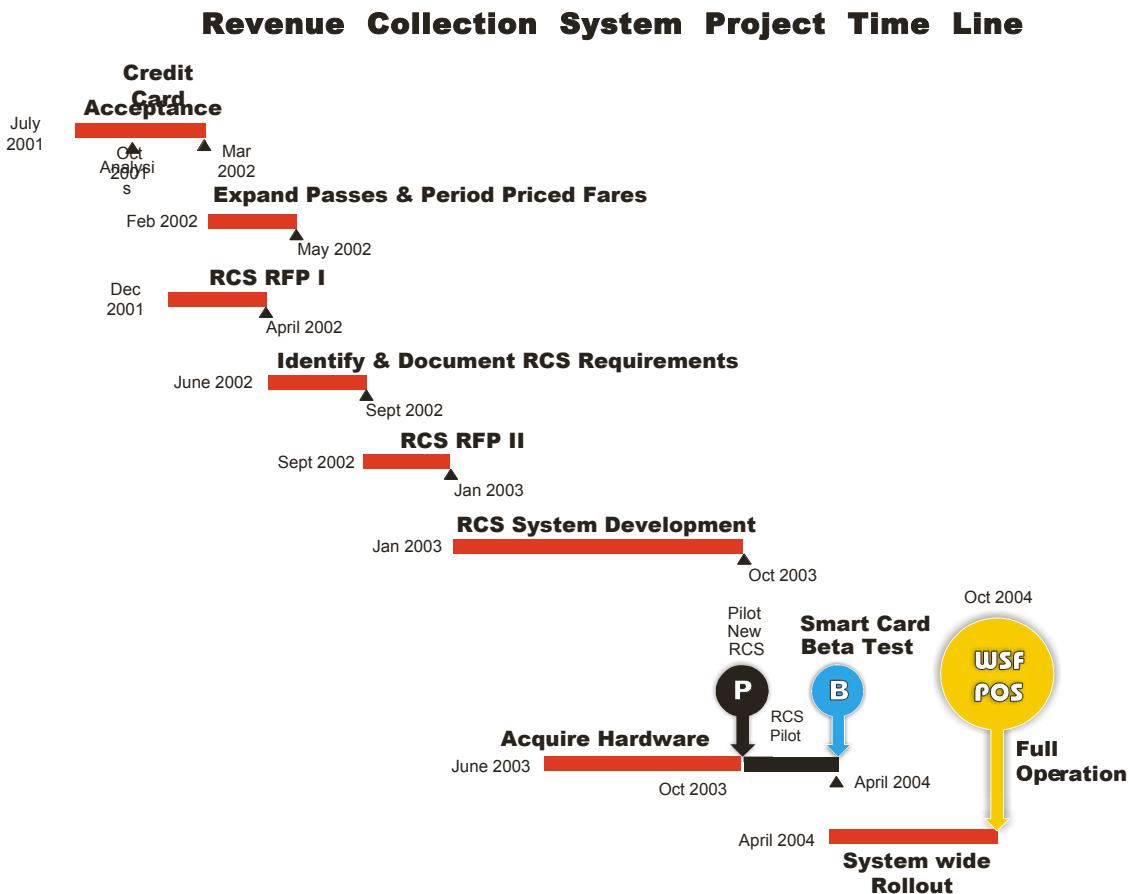
The current system cannot support other methods of payment, such as PIN based Debit and is not extensible to other emerging technologies such as Smart Card. In addition, other revenue streams do not flow through POS causing consolidation and reporting issues.

The Legislature approved replacement of POS with a 01-03 Decision package. This decision package was for \$5.058MM with half being Federal funds. To date approximately \$400,000 has been spent or committed. RFP I has a contracted fixed price value of \$395,000.

DISCUSSION:

Without replacement WSF is at risk of continued system failures, accepting offline payments for transit, and not meeting the needs of our customers or addressing the concerns of the State Auditor.

Below is the high level schedule: The dates subsequent to RFP II are estimates and will be updated upon award and further information from the Regional Fare Coordination Project.



RECOMMENDATION:

Proceed with Phase I.

For further information, contact: (Jim Long, WSF IT Director, 206-515-3780).

Washington State Ferries Report on the Sale of the MV KALAMA and the MV SKAGIT

Prepared for the
June 2002 Transportation Commission Meeting
AGENDA NOTEBOOK

Prepared by
Michael Thorne, Director/CEO, Washington State Ferries
Patricia Patterson, Director of Corporate Relations & Communications

PURPOSE:

This is a recap of the bidding process for the sale of the M.V Kalama and M.V Skagit.

ACTION/OUTCOME:

Washington State Ferries (WSF) advertised the subject vessel sale during March and April in six (6) regional and national marine trade magazines. WSF also advertised the sale in May, as well as the local Journal of Commerce. The project Invitation For Bids (IFB) is also posted on WSF's website.

WSF received only one (1) bid, from Lloyd Cannon of Kodiak, Alaska. The bid price of \$159,300 per vessel is extremely minimal in comparison to the published Fair Market Value (\$1,250,000 per vessel). WSF has the option of rejecting the bid per the provisions in the project Invitation For Bids (IFB).

We inquired with two of the other planholders who inspected the vessels, to determine why they did not submit a bid. New York Waterways (a private company) said the vessels didn't fit their service profile and they were building new vessels. Graves and Schneider International, a broker for a Virgin Islands operator, said the vessels are too tall and unstable for the 40-mile ocean route under consideration. No other Planholders expressed any serious interest in the vessels.

The City of New York (NYC), operator of Staten Island Ferries, also called to advise that they will not submit a public agency offer (due 24 hours after the Bid Due Date). NYC said the vessels are too expensive to operate and are not as fast as their current ferries. They apologized for the inconvenience they caused and appreciated our assistance in the IFB process. No other public agency inquired about the vessels.

If the sole bid is rejected, we have the opportunity to market and sell the vessels directly, without further advertisement. We didn't inquire if NYC was interested in the vessels at a lesser price, but we will certainly. Also, it is not clear if E-Bay lists large vessels on its web site, but we are aware that the Washington State Dept. of Corrections (DOC) recently sold a tug on E-Bay for approximately \$850,000, much higher than DOC's estimated value.

Whether WSF sells the vessels in the near future, or puts them back in service, it will affect the planned FHWA funding for procurement of a replacement vessel.

For further information, contact Patricia Patterson, Director of Corporate Relations & Communications at 206.515.3410.